



June 21, 2018

Via Hand Delivery

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Promoting Telehealth and Telemedicine in Rural America*, WC Docket No. 17-310

Dear Ms. Dortch,

TeleQuality Communications, LLC (“TeleQuality”) hereby submits for the Commission’s approval additional interstate rural rates for purposes of providing service to healthcare providers (“HCPs”) through the Rural Health Care Telecommunications Program.

TeleQuality is currently working with HCPs seeking telecommunications services for 2018 through the Telecommunications Program. To establish its rural rates for 2018, TeleQuality has followed the requirements of 47 C.F.R. § 54.607 and the recent USAC guidance.¹ TeleQuality does not provide service to commercial customers other than HCPs, so it cannot calculate rural rates based on the average rate charged to commercial customers for similar services pursuant to 47 C.F.R. § 54.706(a) (USAC’s Method 1). In some cases, TeleQuality may be able to establish a rural rate by calculating the average of tariffed or other publicly available rates for similar services in the same rural area pursuant to 47 C.F.R. § 54.706(b) (USAC’s Method 2). In cases where due diligence has not revealed any tariffed or other publicly available rates for “the same or similar services in that rural area over the same distance as the eligible service,” or where TeleQuality has reasonably determined that Method 2 results in a rate that is “unfair,” TeleQuality must submit its rates for interstate services to the Commission for approval pursuant to 47 C.F.R. § 54.607(b) (USAC Method 3).

Attached please find TeleQuality’s interstate rates for the Telecommunications Program for Funding Year 2018 (shown in Attachment 1 as the TeleQuality 2018 Interstate Rate Sheet) for areas served using USAC Method 3. Also attached, as required by 47 C.F.R. § 54.706(b)(1), is the justification for TeleQuality’s rural rates including cost itemizations (shown in Attachment 2 as the TeleQuality 2018 Interstate Rate Cost Justification).

These rates are all for services that are interstate interexchange and/or CLEC business data services, and which were subject to competitive bidding. As such, these are all services that

¹ USAC, *Telecom Program: Urban and Rural Rates*, https://www.usac.org/_res/documents/rhc/pdf/handouts/TelecomRuralUrbanRateInfo.pdf.

the Commission has mandatorily or permissively detariffed because of the presence of a competitive market. *See* 47 C.F.R. § 61.19; *Hyperion Telecommunications Inc. Petition Requesting Forbearance*, Memorandum Opinion and Order and Notice of Proposed Rulemaking, 12 FCC Rcd 8596 (1997) (“[W]e have previously determined that [CLECs] are nondominant, and that nondominant carriers, ‘by definition,’ cannot exercise market power.”) *See also* 47 C.F.R. § 61.201 (detariffing ILEC business data services). Moreover, even if a tariff were filed (which is no longer permitted for interexchange services, including interexchange private lines), these are rates charged by a nondominant carrier and thus would be considered *prima facie* lawful and permitted to take effect on one day’s notice. *See* 47 C.F.R. § 1.773(a)(ii). As such, although the margins for individual contract prices vary, as would be expected under competitive bidding in which bids are submitted in advance based on estimated costs, that variance does not create a basis for determining these rates to be unreasonable or not cost-based. Indeed, forcibly setting a different rate distorts the market and harms consumers. *See Nat’l Ass’n of Telecommunications Officers & Advisors v. Fed. Comm’n Comm’n*, 862 F.3d 18, 25 (D.C. Cir. 2017) (“Rate regulation of a firm in a competitive market harms consumers.”)

The TeleQuality 2018 Interstate Rate Cost Justification (Attachment 2) contains forward-looking estimates of TeleQuality’s costs during the 2018 Funding Year, and thus contains business-sensitive confidential information. Pursuant to Sections 0.457 and 0.459 of the Commission’s rules, 47 C.F.R. §§ 0.457, 0.459, TeleQuality hereby requests confidential treatment of Attachment 2, which should be withheld from public inspection.

In support of this request, TeleQuality hereby states as follows:

1. Identification of Specific Information for Which Confidential Treatment Is Sought (Section 0.459(b)(1))

TeleQuality seeks confidential treatment with respect to the TeleQuality 2018 Interstate Rate Cost Justification (the “Confidential Information”). TeleQuality does not seek confidential treatment with respect to the information contained in the TeleQuality 2018 Interstate Rate Sheet.

2. Description of Circumstances Giving Rise to the Submission (Section 0.459(b)(2))

TeleQuality is disclosing the Confidential Information pursuant to 47 C.F.R. § 54.607(b)(1). TeleQuality needs to establish some of its rural rates under the Telecommunications Program by submitting those rates to the Commission. As required by the rules, the submission must include “a justification of the proposed rural rate, including an itemization of the costs of providing the requested service.” *Id.*

3. Explanation of the Degree to Which the Information Is Commercial or Financial, or Contains a Trade Secret or Is Privileged (Section 0.459(b)(3))

The information in the TeleQuality 2018 Interstate Rate Cost Justification is commercial or financial and contains trade secret information. The justifications for TeleQuality's rates include detailed information regarding the prices TeleQuality pays to its wholesale providers as well as TeleQuality's own costs to serve HCPs. In addition, the Cost Justification includes information about how TeleQuality provisions services to HCPs to meet their unique business needs; this information describes TeleQuality's internal business practices and techniques and is sensitive commercial information.

4. Explanation of the Degree to Which the Information Concerns a Service that Is Subject to Competition (Section 0.459(b)(4))

The market for the services at issue is subject to competition; the level of competition varies based on the element of the service and the specific location.

5. Explanation of How Disclosure of the Information Could Result in Substantial Competitive Harm (Section 0.459(b)(5))

First, disclosure of the information in the response would provide TeleQuality's competitors with sensitive insights related to TeleQuality's services and how it provisions its services to meet its customers' unique needs. Disclosure of this information would allow TeleQuality's competitors to use this information to determine TeleQuality's competitive position and associated revenues and thereby gain a competitive advantage. *Second*, disclosure of TeleQuality's Confidential Information would place TeleQuality at a competitive disadvantage, as TeleQuality lacks the same information regarding its competitors. *Third*, disclosure of the information could damage TeleQuality's relationships with its wholesale providers, to the extent that it has purchased wholesale inputs at rates that are not generally publicly available. *Finally*, disclosure of this information could harm the competitive bidding process in the RHC program.

6. Identification of Any Measures Taken to Prevent Unauthorized Disclosure (Section 0.459(b)(6))

The Cost Justification has been kept private and internal to TeleQuality and its parent company. Each page of Attachment 2 is clearly marked "TeleQuality Proprietary – Not for Public Disclosure."

7. Identification of Whether the Information Is Available to the Public and the Extent of Any Previous Disclosure of the Information to Third Parties (Section 0.459(b)(7))

TeleQuality has not previously disclosed to third parties, other than its counsel, its parent company, and relevant state commissions any of the information in the Cost Justification.

8. Justification of Period During Which the Submitting Party Asserts that Material Should Not Be Available for Public Disclosure (Section 0.459(b)(8))

TeleQuality requests that the Cost Justification not be disclosed for 10 years from the date of this request. By that time, the sensitivity of TeleQuality's commercial information will have diminished, as market changes will render it increasingly dated, and would make it difficult for competitors to gauge TeleQuality's current market position and revenues.

* * * *

Should you have further questions or require additional information in order to grant the requested confidentiality treatment, please contact me immediately so that I can provide further assistance to resolve this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "John T. Nakahata".

John T. Nakahata
Counsel to TeleQuality Communications, LLC

Attachs.

Circuit Information	
Circuit Address	185 Sierra Park Road, Mammoth Lakes, CA 93546
Billing Account Number	MAM.CA.0014
Speed	N x T-1
Rate	\$ 2,454.00
Cost Itemization -	
Circuit Costs	\$ [REDACTED]
Transport and Interconnection costs	-
Operating and service delivery costs	[REDACTED]
Working capital	[REDACTED]
Pre-tax cost itemization	[REDACTED]
Federal and State Income Tax	[REDACTED]
Margin	[REDACTED]
Percentage Margin	[REDACTED]

Circuit Information	
Circuit Address	300 S. School Street, Dermott, AR 71638
Billing Account Number	MLH.AR.0008
Speed	100 mb Ethernet
Rate	\$ 3,950.00
Cost Itemization -	
Circuit Costs	\$ [REDACTED]
Transport and Interconnection costs	-
Operating and service delivery costs	[REDACTED]
Working capital	[REDACTED]
Pre-tax cost itemization	[REDACTED]
Federal and State Income Tax	[REDACTED]
Margin	[REDACTED]
Percentage Margin	[REDACTED]

Circuit Information	
Circuit Address	579 E Beouff, Eudora, AR 71640
Billing Account Number	MLH.AR.0009
Speed	10 mb ethernet
Rate	\$ 2,567.56
Cost Itemization -	
Circuit Costs	\$ [REDACTED]
Transport and Interconnection costs	-
Operating and service delivery costs	[REDACTED]
Working capital	[REDACTED]
Pre-tax cost itemization	[REDACTED]
Federal and State Income Tax	[REDACTED]
Margin	[REDACTED]
Percentage Margin	[REDACTED]

Circuit Information	
Circuit Address	233 N Main Street, Portland, AR 71663
Billing Account Number	MLH.AR.0011
Speed	10 mb ethernet
Rate	\$ 2,567.56
Cost Itemization -	
Circuit Costs	\$ [REDACTED]
Transport and Interconnection costs	-
Operating and service delivery costs	[REDACTED]
Working capital	[REDACTED]
Pre-tax cost itemization	[REDACTED]
Federal and State Income Tax	[REDACTED]
Margin	[REDACTED]
Percentage Margin	[REDACTED]

Circuit Information	
Circuit Address	203 McComb Street, Wilmot, AR 71676
Billing Account Number	MLH.AR.0012
Speed	10 mb ethernet
Rate	\$ 2,567.56
Cost Itemization -	
Circuit Costs	\$ [REDACTED]
Transport and Interconnection costs	-
Operating and service delivery costs	[REDACTED]
Working capital	[REDACTED]
Pre-tax cost itemization	[REDACTED]
Federal and State Income Tax	[REDACTED]
Margin	[REDACTED]
Percentage Margin	[REDACTED]

Circuit Information	
Circuit Address	110 North Drew, Star City, AR 71667
Billing Account Number	MLH.AR.0013
Speed	10 mb ethernet
Rate	\$ 2,567.56
Cost Itemization -	
Circuit Costs	\$ [REDACTED]
Transport and Interconnection costs	-
Operating and service delivery costs	[REDACTED]
Working capital	[REDACTED]
Pre-tax cost itemization	[REDACTED]
Federal and State Income Tax	[REDACTED]
Margin	[REDACTED]
Percentage Margin	[REDACTED]

Circuit Information	
Circuit Address	535 Jordan Drive, Monticello, AR 71655
Billing Account Number	MLH.AR.0014
Speed	10 mb ethernet
Rate	\$ 2,567.56
Cost Itemization -	
Circuit Costs	\$ [REDACTED]
Transport and Interconnection costs	-
Operating and service delivery costs	[REDACTED]
Working capital	[REDACTED]
Pre-tax cost itemization	[REDACTED]
Federal and State Income Tax	[REDACTED]
Margin	[REDACTED]
Percentage Margin	[REDACTED]

Circuit Information	
Circuit Address	31292 Alpine Meadows Road, Shingletown, CA 96088
Billing Account Number	SHI.CA.0008
Speed	10 mb Ethernet
Rate	\$ 5,209.56
Cost Itemization -	
Circuit Costs	\$ [REDACTED]
Transport and Interconnection costs	-
Operating and service delivery costs	[REDACTED]
Working capital	[REDACTED]
Pre-tax cost itemization	[REDACTED]
Federal and State Income Tax	[REDACTED]
Margin	[REDACTED]
Percentage Margin	[REDACTED]

Circuit Information	
Circuit Address	31292 Alpine Meadows Road, Shingletown, CA 96088
Billing Account Number	SHI.CA.0009
Speed	N x T-1
Rate	\$ 531.00
Cost Itemization -	
Circuit Costs	\$ [REDACTED]
Transport and Interconnection costs	-
Operating and service delivery costs	[REDACTED]
Working capital	[REDACTED]
Pre-tax cost itemization	[REDACTED]
Federal and State Income Tax	[REDACTED]
Margin	[REDACTED]
Percentage Margin	[REDACTED]

Circuit Information	
Circuit Address	31292 Alpine Meadows Road, Shingletown, CA 96088
Billing Account Number	SHI.CA.0010
Speed	100 mb Ethernet
Rate	\$ 5,533.00
Cost Itemization -	
Circuit Costs	\$ [REDACTED]
Transport and Interconnection costs	-
Operating and service delivery costs	[REDACTED]
Working capital	[REDACTED]
Pre-tax cost itemization	[REDACTED]
Federal and State Income Tax	[REDACTED]
Margin	[REDACTED]
Percentage Margin	[REDACTED]

TeleQuality Operating Cost Allocations			
		\$	% of Income
Total Income		\$	
Estimated Expenses:			
	Personnel - payroll, benefits and payroll taxes		
	Operating - facilities, customer support, software, equipment, travel and insurance		
	Administrative		
	Bad debt expense		
	Marketing		
	Taxes and fees (other than income taxes)		
Total Estimated Expense		\$	
Overhead Expense Factor			
Excludes costs for meals and entertainment, debt costs including origination and interest expense,			
late fees and charitable contributions			
Estimated based on historical data			

CERTIFICATE OF SERVICE

I, Remington Pool, hereby certify that on this day, a true and correct copy of the foregoing letter was filed on ECFS and hand-delivered to, and filed with, the Office of the Secretary at the Federal Communications Commission.

/s/ 
Remington Pool
June 21, 2018